

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ypsilanti District Library	County Washtenaw
Fiscal Year End November 30, 2007	Opinion Date February 15, 2008	Date Audit Report Submitted to State February 28, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

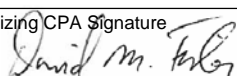
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State Mi	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337



FINANCIAL STATEMENTS

**For The Year Ended
November 30, 2007**



REHMANN ROBSON

Certified Public Accountants



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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 15, 2008

To the Board of Trustees
Ypsilanti District Library
Ypsilanti, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **YPSILANTI DISTRICT LIBRARY**, as of and for the year ended November 30, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ypsilanti District Library, as of November 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ypsilanti District Library's basic financial statements. The General Fund Schedule of Operating Expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis
For the year ending November 30, 2007

The discussion and analysis of Ypsilanti District Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended November 30, 2007. Please read it in conjunction with the Library's financial statements.

Using this annual report

The funds are presented on the modified accrual basis of accounting, which is a short-term view that focuses on how taxpayer's resources are spent during the current period and the amounts of those resources available for future spending. The modified accrual based financial statements provide detailed information about the Library's current financial resources and demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The modified accrual based statements are converted to full accrual accounting based statements by incorporating long-lived resources and long-term obligations into the reporting model. Full accrual statements focus on full costing of current services and on the total resource picture of the Library.

Condensed Financial Information

The following table shows key financial information in a condensed format:

Statement of Net Assets	November 30	
	<u>2007</u>	<u>2006</u>
Assets		
Cash and investments	\$ 4,984,545	\$ 3,230,645
Capital assets	18,238,954	18,517,242
Other assets	339,672	282,129
Total assets	23,563,171	22,030,016
Liabilities		
Long-term liabilities	12,407,058	13,204,790
Other liabilities	182,312	184,290
Total Liabilities	12,589,370	13,389,080
Net Assets		
Invested in capital assets – Net of debt	5,958,558	5,426,327
Restricted for debt service payments	1,531,308	10,548
Restricted for other purpose	8,120	8,168
Unrestricted	3,475,815	3,195,893
Total net assets	\$ 10,973,801	\$ 8,640,936

<u>Statement of Activities</u>	November 30	
	<u>2007</u>	<u>2006</u>
Revenue		
Property taxes	\$ 6,332,204	\$ 4,618,594
Other	647,706	640,348
Total Revenue	6,979,910	5,258,942
Expenses	4,647,045	4,975,846
Change in Net Assets	\$ 2,332,865	\$ 283,096

Full Accrual Analysis

The full accrual statement of activities shows an increase in net assets of \$2,332,865. The General Fund acquired \$1,187,396 in new capital assets while depreciation charges were \$1,087,652. A change in State Laws requiring the tax levy for Debt Service be collected with the July taxes was applied to the tax base in the Charter Township of Ypsilanti resulting in the recognition of additional tax revenue of \$1,093,322. This revenue was placed into a restricted fund to be used for retirement of debt in the 2008 fiscal year.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$3,475,815. Unrestricted net assets increased during the year by \$279,922.

Modified Accrual Analysis

The General Fund pays for all of the Library's services. The most significant costs are for personnel and related staffing expenses of \$2249,658 which accounted for 59 percent of the total operating expenditures in the year ended November 30, 2007. Library acquisition cost for materials and programs was \$591,111, or 16 percent of total operating expenditures. The remaining categories include: contractual services of \$130,946 (3 percent), automation and capital outlay of \$314,914 (9 percent), and other, which includes supplies, tax rebates, and other expenditures, \$508,058 (13%). The general fund had a net change in fund balance for the year of \$407,955.

The debt service fund has a fund balance of \$1,531,308 at November 30, 2007.

Budgetary Highlights

For the year ended November 30, 2007, the Ypsilanti District Library allocated resources to equip and operate a branch located in Superior Township. Superior Township residents voted to join the District beginning December 1, 2006 and additional taxes were remitted to the district in the amount of \$538,477. The Ypsilanti District Library's bookmobile was also used to provide additional services to Superior Township.

In October, 2006, the Ypsilanti District Library entered into an agreement to acquire a new bookmobile for the district. The new bookmobile was delivered in January 2008. Resources in the amount of \$150,000 had been previously restricted for the final payment.

Other allocations from reserves include approximately \$190,000 for the café at the Whittaker Road facility and approximately \$20,000 for legal fees related to Union contract negotiations.

Capital Asset and Debt Administration

As of November 30, 2007, Ypsilanti District Library had \$18,238,954 invested in a broad range of capital assets, including building, collections, furniture, and equipment.

For the year ended November 30, 2006, Ypsilanti District Library purchased books at a cost of \$533,772 and other capital assets were acquired at a cost of \$278,172.

All payments for interest and principal have been made in accordance with the bond amortization schedule.

Economic Factors and Next Year's Budgets and Rates

The Ypsilanti District Library's budget for the fiscal year ending November 30, 2008 has included a conservative projection for tax revenues. During the year ended November 30, 2007, tax refunds caused by settled appeals exceeded \$10,000. The future tax value of our major industrial properties is uncertain. There are appeals under review that may result in significant tax refunds. Penal fines and state aid have been budgeted with no increases expected. The future of these revenue categories depend upon legislative action. Revenue sharing funds of \$40,019 have been received through 2007, however, the legislation that provided for revenue sharing funds expired and new legislation has not provided for replacement funds.

Operating costs were increased to reflect expected inflation for non-personnel cost. Labor costs were projected to increase in accordance with the terms of the previous labor contract which expired at the end of the fiscal period. Any change in the terms of the labor contract will require amendments to be made to the budget.

Notable Progress

Significant progress has been made on the implementation of Ypsilanti District Library's Strategic Plan adopted for 2007—2010:

- Café/Coffee Shop at Ypsilanti District Library, Whittaker Road.
The Ypsilanti District Library Board approved a plan for a full-service coffee shop to be placed into service during fiscal 2008.
- Superior Township Service
The Ypsilanti District Library developed and implemented a plan to provide library service at a township owned facility in Superior Township. Service began in February 2007.
- Bookmobile
The Ypsilanti District Library Board approved the purchase of a new bookmobile in October 2006, to provide additional services throughout the District. The bookmobile arrived in January 2008 and has been placed into service.
- Lockers
Ypsilanti District Library installed “after-hours” lockers at each site for library materials pick-up.
- Hours of Operation
Ypsilanti District Library expanded hours of operation during 2007.
- Digital Signage
Ypsilanti District Library installed digital signage to promote programs and services.

Key Performance Indicators

- Items borrowed: 739,424 (approximately 6 % increase over the year ended November 30, 2006)
- Program attendance: 31,651 (6% increase)
- Reference questions answered: 139,760
- Percentage of population with library cards: 77 %

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and provide accountability for the resources entrusted to the trustees and the management of Ypsilanti District Library. If you have questions about this report, or need additional information, contact the Director, Jill Morey, at (734) 879-1300.

BASIC FINANCIAL STATEMENTS

YPSILANTI DISTRICT LIBRARY
Governmental Funds Balance Sheet/Statement of Net Assets
November 30, 2007

	Major Funds		Nonmajor Fund			Statement
	General	Debt Service	HVAC Reengineering	Total	Adjustments	of Net Assets
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 3,631,593	\$ 1,352,952	\$ -	\$ 4,984,545	\$ -	\$ 4,984,545
Accounts receivable	36,134	-	-	36,134	-	36,134
Taxes receivable	103,746	164,027	-	267,773	-	267,773
Due from other governments	28,276	-	-	28,276	-	28,276
Prepaid items	7,489	-	-	7,489	-	7,489
Due from other funds	-	75,101	-	75,101	(75,101)	-
Capital assets						
Assets not being depreciated	-	-	-	-	1,103,899	1,103,899
Assets being depreciated	-	-	-	-	17,135,055	17,135,055
<u>TOTAL ASSETS</u>	<u>\$ 3,807,238</u>	<u>\$ 1,592,080</u>	<u>\$ -</u>	<u>\$ 5,399,318</u>	<u>18,163,853</u>	<u>23,563,171</u>
Liabilities						
Accounts payable	\$ 106,061	\$ 138	\$ -	\$ 106,199	-	106,199
Accrued liabilities	34,267	-	-	34,267	41,846	76,113
Due to other funds	75,101	-	-	75,101	(75,101)	-
Deferred revenue	100,524	60,634	-	161,158	(161,158)	-
Long-term liabilities						
Due within one year	-	-	-	-	977,181	977,181
Due after one year	-	-	-	-	11,429,877	11,429,877
Total liabilities	315,953	60,772	-	376,725	12,212,645	12,589,370
Fund balances/Net assets						
Fund balance - reserved:						
Prepaid expenses	7,489	-	-	7,489	(7,489)	-
Memorials	8,120	-	-	8,120	(8,120)	-
Fund balance - unreserved:						
Designated for working capital	1,000,000	-	-	1,000,000	(1,000,000)	-
Designated for special events	4,544	-	-	4,544	(4,544)	-
Designated for improvements	1,347,714	-	-	1,347,714	(1,347,714)	-
Undesignated	1,123,418	1,531,308	-	2,654,726	(2,654,726)	-
Total fund balances	3,491,285	1,531,308	-	5,022,593	(5,022,593)	-
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 3,807,238</u>	<u>\$ 1,592,080</u>	<u>\$ -</u>	<u>\$ 5,399,318</u>		
Net assets:						
Investment in capital assets, net of related debt					5,958,558	5,958,558
Restricted for debt service					1,531,308	1,531,308
Restricted for other purposes					8,120	8,120
Unrestricted					3,475,815	3,475,815
Total net assets					<u>\$ 10,973,801</u>	<u>\$ 10,973,801</u>

The accompanying notes are an integral part of these financial statements.

YPSILANTI DISTRICT LIBRARY
Reconciliation of Governmental Fund Balances
to Statement of Net Assets
November 30, 2007

Fund balances - total governmental funds	\$ 5,022,593
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	25,310,966
Deduct: accumulated depreciation	(7,072,012)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term receivables	161,158
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Certain liabilities, including amounts due for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable and other long-term debt	(12,280,396)
Deduct: accrued interest on long-term liabilities	(41,846)
Deduct: compensated absences	(126,662)

Net assets of governmental activities	<u>\$ 10,973,801</u>
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The accompanying notes are an integral part of these financial statements.

YPSILANTI DISTRICT LIBRARY
Statement of Revenue, Expenditures
and Changes in Fund Balances and Statement of Activities
Governmental Funds
For the Year Ended November 30, 2007

	Major Funds		Nonmajor Fund	Total	Adjustments	Statement of Net Assets
	General	Debt Service	HVAC Reengineering			
Revenue						
Property taxes	\$ 3,581,354	\$ 2,751,121	\$ -	\$ 6,332,475	\$ (271)	\$ 6,332,204
Penal fines	154,503	-	-	154,503	-	154,503
State revenue sharing	39,920	-	-	39,920	-	39,920
State aid	63,098	-	-	63,098	-	63,098
Miscellaneous	100,753	-	-	100,753	-	100,753
Interest income	190,474	23,024	882	214,380	-	214,380
Donations	51,165	-	-	51,165	-	51,165
Friends of the Library gift	23,887	-	-	23,887	-	23,887
Total revenue	4,205,154	2,774,145	882	6,980,181	(271)	6,979,910
Expenditures/expenses						
Current:						
Administration	1,505,993	-	-	1,505,993	(120,852)	1,385,141
Michigan Avenue	506,294	-	-	506,294	102,484	608,778
Bookmobile	285,263	-	-	285,263	(65,495)	219,768
Whittaker Road	1,458,884	-	116,103	1,574,987	334,419	1,909,406
Expenditures from donations revenue	38,253	-	-	38,253	-	38,253
Debt service:						
Principal	-	770,000	-	770,000	(770,000)	-
Interest	-	483,385	-	483,385	2,314	485,699
Total expenditures/expenses	3,794,687	1,253,385	116,103	5,164,175	(517,130)	4,647,045
Revenue over (under) expenditures/expenses	410,467	1,520,760	(115,221)	1,816,006	(1,816,006)	-
Other financing sources (uses)						
Transfers in	-	-	2,512	2,512	(2,512)	-
Transfers out	(2,512)	-	-	(2,512)	2,512	-
Total other financing sources (uses)	(2,512)	-	2,512	-	-	-
Net change in fund balances	407,955	1,520,760	(112,709)	1,816,006	(1,816,006)	-
Change in net assets	-	-	-	-	2,332,865	2,332,865
Fund balance/net assets, beginning of year	3,083,330	10,548	112,709	3,206,587	5,434,349	8,640,936
Fund balance/net assets, end of year	\$ 3,491,285	\$ 1,531,308	\$ -	\$ 5,022,593	\$ 5,951,208	\$ 10,973,801

The accompanying notes are an integral part of these financial statements.

YPSILANTI DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended November 30, 2007

Net change in fund balances - total governmental funds \$ 1,816,006

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	811,944
Deduct: depreciation expense	(1,087,652)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.

Deduct: loss from disposition of capital assets	(2,580)
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Property tax revenues are recorded as additions to net assets when earned; They are not recorded in the funds until collected or collectible within 60 days of year end.

Deduct: decrease in deferred long-term receivables	(271)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In addition, funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are capitalized and amortized on the statement of activities.

Add: principal payments on long-term liabilities	810,519
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: increase in accrued interest on bonds	(2,314)
Deduct: increase in the accrual for compensated absences	(12,787)

Change in net assets of governmental activities	\$ 2,332,865
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The accompanying notes are an integral part of these financial statements.

YPSILANTI DISTRICT LIBRARY
Statement of Revenue, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended November 30, 2007

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenue				
Property taxes	\$ 3,555,556	\$ 3,555,556	\$ 3,581,354	\$ 25,798
Penal fines	155,000	155,000	154,503	(497)
State revenue sharing	39,876	39,876	39,920	44
State aid	70,000	70,000	63,098	(6,902)
Miscellaneous	88,500	88,500	100,753	12,253
Interest income	98,105	98,105	190,474	92,369
Donations	1,000	1,000	51,165	50,165
Friends of the Library gift	-	-	23,887	23,887
Total revenue	4,008,037	4,008,037	4,205,154	197,117
Expenditures				
Current:				
Administration	1,693,696	1,653,696	1,505,993	147,703
Michigan Avenue	506,647	506,647	506,294	353
Bookmobile	257,971	297,971	285,263	12,708
Whittaker Road	1,549,723	1,549,723	1,458,884	90,839
Expenditures from donations revenue	-	-	38,253	(38,253)
Total expenditures	4,008,037	4,008,037	3,794,687	213,350
Revenue over expenditures	-	-	410,467	410,467
Other financing sources				
Transfers out	-	-	(2,512)	(2,512)
Net change in fund balances	-	-	407,955	407,955
Fund balance, beginning of year	3,083,330	3,083,330	3,083,330	-
Fund balance, end of year	\$ 3,083,330	\$ 3,083,330	\$ 3,491,285	\$ 407,955

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Ypsilanti District Library (the “Library”) began operations as a district library in May 1983 when it began receiving tax revenue from Ypsilanti Township and the City of Ypsilanti.

The Library has implemented the Governmental Accounting Standards Board’s Statement No. 14, and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library.

B. Government-wide and fund financial statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Library had no business-type activities during the year ended 2007.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes received, intergovernmental revenue, and interest revenue earned within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt.

Additionally, the Library reports the following fund type:

The HVAC reengineering fund is used to account for the activity associated with reengineering of the HVAC unit at the Whittaker Road location.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

D. Assets, liabilities and equity

1. Cash and cash equivalents/investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value, based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

3. Capital assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Furniture and fixtures	10-20
Vehicles	7
Computer and office equipment	3-5
Collections	5

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

4. Compensated absences

Compensated absences represent the estimated liability to be paid to employees under the Library's compensated absences policy. It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements.

5. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Property taxes

The Library district's borders encompass the City of Ypsilanti and Ypsilanti and Superior Townships, and property taxes are assessed as of December 31. The Library's operating and debt taxes are billed to the City of Ypsilanti taxpayers on July 1. The Library's operating taxes only are billed to Superior Township on July 1. The Library's operating taxes are billed to Ypsilanti Township taxpayers on December 1 of the following fiscal year, and the debt taxes are billed to Ypsilanti Township taxpayers on July 1 of the following fiscal year. The Delinquent Tax Revolving Fund of Washtenaw County advances delinquent real taxes to the Library on an annual basis.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The General fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted and as amended by the Library Board. The budget for the General Funds is adopted on a total basis for revenue and a departmental basis for expenditures; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Variances with the Final Budget are shown on the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

Statement of Net Assets:

Cash and cash equivalents	<u>\$ 4,984,545</u>
---------------------------	----------------------------

These balances are disclosed in the notes as follows:

Petty cash	\$ 230
Bank deposits (checking and savings accounts)	3,615,735
Investments	<u>1,368,580</u>
	<u>\$ 4,984,545</u>

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, banker acceptances and mutual funds composed of otherwise legal investments.

Investments

The District chooses to disclose its investments by specifically identifying each. As of year -end, the District had the following investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Michigan Governmental MMF	n/a	\$ 1,347,952	S&P – Aaa
American Century - growth stock fund	n/a	<u>20,628</u>	n/a
		<u>\$ 1,368,580</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates of investments are shown in the investment schedule above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial credit risk. As of year end, \$2,805,411 of the Library's bank balance of \$3,710,230 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Library does not have a policy for investment custodial credit risk. Although uninsured and unregistered, the Library's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Library's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Library's investment policy does not have specific limits in excess of state law on concentration of credit risk.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

B. Capital assets

Capital asset activity for the year ended November 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,003,899	\$ -	\$ -	\$ 1,003,899
Construction in progress	475,452	132,534	507,986	100,000
Total capital assets not being depreciated	1,479,351	132,534	507,986	1,103,899
Capital assets being depreciated				
Buildings	16,420,504	-	-	16,420,504
Furniture and fixtures	1,711,101	96,443	-	1,807,544
Vehicles	180,458	-	-	180,458
Computer and office equipment	332,732	49,195	25,789	356,138
Site improvements	452,971	507,986	-	960,957
Collections - Library books, CDs, and audio/visual	3,947,694	533,772	-	4,481,466
Total capital assets being depreciated	23,045,460	1,187,396	25,789	24,207,067
Less accumulated depreciation for:				
Buildings	2,224,336	411,068	-	2,635,404
Furniture and fixtures	569,221	140,561	-	709,782
Vehicles	112,043	25,780	-	137,823
Computer and office equipment	120,313	63,900	23,209	161,004
Site improvements	26,335	35,348	-	61,683
Collections - Library books, CDs, and audio/visual	2,955,321	410,995	-	3,366,316
Total accumulated depreciation	6,007,569	1,087,652	23,209	7,072,012
Total capital assets being depreciated, net	17,037,891	99,744	2,580	17,135,055
Governmental activities capital assets, net	\$ 18,517,242	\$ 232,278	\$ 510,566	\$ 18,238,954

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

C. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the deferred revenue recorded in the governmental activities consisted entirely of unavailable property taxes.

D. Leases

The Library has entered into two lease agreements as lessee for financing the purchase of copy machines and computers. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the inception dates. The future minimum lease payments and the net present value are as follows:

<u>Year Ended</u> <u>November 30,</u>	<u>Amount</u>
2008	\$ 42,058
2009	<u>5,651</u>
Total minimum lease payments	47,709
Less amount representing interest	<u>(2,313)</u>
Present value	<u>\$ 45,396</u>

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

E. Long-term debt

The following is a summary of long-term debt outstanding of the Library for the year ended November 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation					
bonds	\$ 13,005,000	\$ -	\$ 770,000	\$ 12,235,000	\$ 810,000
Capital lease obligations	85,915	-	40,519	45,396	40,519
Compensated absences	113,875	12,787	-	126,662	126,662
	<u>\$ 13,204,790</u>	<u>\$ 12,787</u>	<u>\$ 810,519</u>	<u>\$ 12,407,058</u>	<u>\$ 977,181</u>

Bonds payable at November 30, 2007, are comprised of the following issues:

General Obligation Bonds:

\$3,320,000 unrefunded portion of 1999 Library Bonds, due in annual installments of \$810,000 to \$890,000 through the year 2010; interest at 4.50%	\$ 2,550,000
\$9,685,000 2006 Refunding Bonds, due in annual installments of \$910,000 to \$1,255,000 through the year 2019; interest at 4.00%	<u>9,685,000</u>
	<u>\$ 12,235,000</u>

In prior years, the Library defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net assets. The balance of defeased bonds outstanding as of November 30, 2007 was \$10,370,000, which represents amounts placed in escrow as part of this refunding.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

The annual requirements to service the bonds outstanding as of November 30, 2007, are as follows:

<u>Year Ended November 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 810,000	\$ 483,925	\$ 1,293,925
2009	850,000	446,575	1,296,575
2010	890,000	407,425	1,297,425
2011	910,000	369,200	1,279,200
2012	950,000	332,000	1,282,000
2013-2017	5,365,000	1,045,500	6,410,500
2018-2019	<u>2,460,000</u>	<u>99,400</u>	<u>2,559,400</u>
Total	<u>\$ 12,235,000</u>	<u>\$ 3,184,025</u>	<u>\$ 15,419,025</u>

The capital lease obligations are explained Note III-D.

Compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the vacation policy, employees earn vacation time based on time of service with the Library. Compensated absences are generally liquidated by the General Fund.

F. Receivables and Payables and Inter-fund transfers

The Library often has interfund balances between its funds. These interfund balances result primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At November 30, 2007, there was a receivable of \$75,101 in the debt service fund from the general fund.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Reservation of Fund Balance/Restricted Net assets

The Library has received donations that have been restricted for expenditures relating to the development of the Library's collection. Fund balance has been reserved in an amount equal to the donation less any expenditures. These donations along with debt service fund balance meet the criteria that require the amounts to be restricted on the statement of net assets.

B. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Liability and Property Pool for claims relating to property and general liability and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

C. Defined Contribution Retirement Plan

The Library provides a pension plan to all of its employees who are over 21 years of age and earn more than \$450 annually through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of employment. As established by the Board, the Library contributes 5 percent of employees' gross earnings and employees may contribute up to an additional 10 percent of earnings. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested after the first deposit. In accordance with these requirements, the Library contributed \$59,181 during the year, and employees contributed \$73,244.

YPSILANTI DISTRICT LIBRARY

Notes to the Financial Statements

D. Contingency

A large manufacturer in Ypsilanti Township has appealed its tax assessment for the past four years to the Michigan Tax Tribunal. As of November 30, 2007, the exact amount of any payback of taxes previously collected as a result of this appeal is unknown.

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SUPPLEMENTARY INFORMATION

YPSILANTI DISTRICT LIBRARY
Schedule of Operating Expenditures - General Fund
For the Year Ended November 30, 2007

	<u>Salary and Benefits</u>	<u>Library Materials</u>	<u>Contractual</u>	<u>Automation and Capital Outlay</u>	<u>Other Designated Expenses</u>
Administration	\$ 897,371	\$ -	\$ 90,711	\$ 274,101	\$ 243,810
Michigan Avenue	302,793	141,235	6,497	1,311	54,458
Bookmobile	169,737	53,500	-	35,698	26,328
Whittaker	879,757	358,123	33,738	3,804	183,462
Expenditures from donations revenue	-	38,253	-	-	-
Total	<u><u>\$ 2,249,658</u></u>	<u><u>\$ 591,111</u></u>	<u><u>\$ 130,946</u></u>	<u><u>\$ 314,914</u></u>	<u><u>\$ 508,058</u></u>

Total	Budget	Under (Over) Budget	Percent of Total
1,505,993	1,653,696	147,703	40%
506,294	506,647	353	13%
285,263	297,971	12,708	8%
1,458,884	1,549,723	90,839	38%
38,253	-	(38,253)	1%
\$ 3,794,687	\$ 4,008,037	\$ 213,350	100%



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



February 15, 2008

To the Board of Directors of the
Ypsilanti District Library
Ypsilanti, Michigan

We have audited the financial statements of **Ypsilanti District Library** for the year ended November 30, 2007, and have issued our report thereon dated February 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated November 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Ypsilanti District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ypsilanti District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Ypsilanti District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Ypsilanti District Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Ypsilanti District Library, either individually or in the aggregate, indicate matters that could have a significant effect on Ypsilanti District Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Ypsilanti District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written over a light blue horizontal line.

Ypsilanti District Library

Comments and Recommendations

For the Year Ended November 30, 2007

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated February 15, 2008 on the financial statements of Ypsilanti District Library.

Capital Asset Addition and Deletion Review

We noted that capital asset records are not reviewed on a periodic basis by various departments in order to verify the existence of such assets. In order to ensure that all capital asset additions and deletions are recorded, the detail capital asset records should be inventoried every 3 or 4 years, or on a schedule that is proper for the Library.

Compliance Requirements of the Michigan Department of Treasury

In 2007, the Local Audit and Finance Division (LAFD) of the Michigan Department of Treasury updated the form of its Auditing Procedures Report (APR). The APR, which is required by Public Act 2 of 1968, as amended, is prepared by CPAs auditing local governmental units, and submitted to Treasury along with the audited financial statements, single audit report (if applicable), and letter of comments and recommendations. While many of these items have long been reported by CPAs to the Department each year, certain additional disclosures were added with the 2007 revision of the APR. We note the following requirements of the LAFD which we are bringing to your attention:

Approval of invoices. There is a requirement that all municipal organizations (cities, townships, counties, transportation authorities, district libraries, etc.) that the boards or councils must approve invoices prior to payment, or disbursement, unless addressed otherwise in the charter or in the organization's bylaws. The legislative body may establish a formal policy to authorize payments prior to approval in order to avoid late charges and to pay appropriated amounts and payroll and other regular recurring bills (such as utilities, rent, etc.). The policy must be very limited, and a list of payments approved by the Board would be done after the fact. The District Board is not presently approving invoices prior to payment

The District Library is presently exploring different options on how to comply with the above requirement. We recommend that the compliance be initiated in fiscal year 2007-2008.

Ypsilanti District Library

Comments and Recommendations (Continued)

For the Year Ended November 30, 2007

New Audit Standards Forthcoming

We want to bring to your attention the significant changes to professional auditing standards. The new auditing standards, commonly known as the *Risk Suite* of standards, require that auditors perform additional procedures to assess risks relevant to financial statement reporting. Such risks include those from fraud, entity level internal control deficiencies, financial reporting system internal control deficiencies and business risks. The auditor must then directly link procedures performed to risks identified. You are likely aware of or have heard of the *Sarbanes Oxley Act* (“SOX”), which applies to public companies. Compliance with SOX was a major hurdle for most public companies. For several years, practitioners have believed that SOX-like rules would eventually become applicable to private companies, governmental entities and nonprofit organizations. The new standards effectively resemble components of SOX, and will also be challenging for auditors and their clients. There will clearly be an increased level of effort required to conduct a financial statement audit from both the auditor, and client personnel.

The Risk Suite of standards represents some of the most significant changes to our industry since GASB 34 was established. They continue the trend started by the fraud standards introduced a few years ago; the Risk Suite goes even further and impacts all aspects of the audit process. These new standards go into effect for all audit engagements with fiscal years ending December 15, 2007.

Some of the key points from the new standards are as follows:

1. The new standards require an in depth understanding of entity level controls. The nature of these controls is that they are “top down”, starting with the governing board and top management levels (“tone at the top”; risk assessment; information and communication; and monitoring) and flowing through the entire organization. Accordingly, both the governing board and managers, both from finance and operations, will need to be actively involved in the audit process to enable the auditor to appropriately assess the effectiveness of such controls, and the related impact on planned audit procedures. This will likely take the form of additional inquiries, questionnaires, supporting policies and possibly flow charts to effectively demonstrate and document these entity level controls.
2. Control activities are required to be documented, assessed and tested in greater detail. Control activities include as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Under previous standards, an auditor was only required to obtain an understanding of control activities; the new standards require an assessment of the effectiveness of control activities. As such, much like the documentation of entity level controls, this will likely take the form of additional inquiries, checklists, questionnaires, and possibly flowcharts, and just like in SOX, “walkthroughs” of certain key control activities must be performed.

Ypsilanti District Library

Comments and Recommendations (Concluded)

For the Year Ended November 30, 2007

The hours incurred in performing the audit under the new standards will increase from both your staff and our firm, with the most significant portion in the first year of implementation. Estimates reported from firms and organizations that have already implemented the new standards indicate anticipated increases of 10% to 30%. Again, as mentioned earlier, the majority of this increase will occur during the interim stages of the audit, well in advance of the scheduled fieldwork dates. The key to minimizing additional audit costs under these new standards, and to insure timely delivery of the audit report, is active involvement by the governing board and top managers in the audit process and thorough commitment to and preparation for the audit.

As always, we will work closely with you and your staff to tailor your audit to ensure that it is as efficient and effective as possible in light of these new standards. We will be meeting with you in person in the upcoming weeks to further discuss these changes and the impact they will have on your audit.

* * * * *